

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
June 26, 2002
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

A Special Meeting of the Illinois Gaming Board ("Board") was held on June 26, 2002. The Board met in the conference room of the Gaming Board Offices on the 3rd floor at 160 N. LaSalle for closed session.

The following Board members were present: Chairman Gregory Jones and Members Ira Rogal, Elzie Higginbottom, Tobias Barry, and Violet Clark.

The meeting convened at 9:10 A.M. Pursuant to Sections 2(c), paragraphs 4 and 11 of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Rogal moved that **the Board retire to Closed Session to discuss the items listed under Closed Session on today's agenda (June 26, 2002) and relating to the following subject matters:**

- 1. Administrative hearings; and**
- 2. Pending litigation and matters involving probable litigation.**

Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

The Board convened its Open Session at 11:09 A.M.

Chairman Jones introduced new Board member Violet M. Clark. Chairman Jones stated that Governor Ryan appointed Member Clark to the Board on June 24, 2002. Chairman Jones stated that Member Clark would complete the term of former Board member Robert Mariano. Chairman Jones stated that Member Clark is a partner in the law firm of Laner, Muchin, Dombrow, Becker, Levin, and Tominberg. Chairman Jones stated that Member Clark's specialty is labor law, and she currently serves as a hearing officer for the Cook County Commission on Human Rights and the Chicago Commission on Human Relations. Chairman Jones stated that recently Member Clark was appointed to the State Treasurer's Commission on Women's Issues. Chairman Jones stated that Member Clark will bring new insights to the Board and new points of view. Chairman Jones stated that Member Clark began her career at the Legal Assistance Foundation of Chicago, and she also served as a Senior Trial Attorney with the Equal Employment Opportunity Commission. Chairman Jones stated that Member Clark is a graduate of Cornell University Law School. Chairman Jones welcomed Member Clark and stated that she will be a great addition to the Board.

Chairman Jones announced that a term sheet regarding the proposed settlement is available to the public. Chairman Jones stated that Administrator Parenti and Robert E. Shapiro,

Outside Counsel to the Board, would address the details of the term sheet. Chairman Jones stated that on Monday, July 1, at 2:00 P.M., a second meeting would be held for public commentary, and the Board would vote on the term sheet. Chairman Jones stated that because there has been so much public interest in the Emerald Casino settlement, people could submit written comments on the term sheet to Monica Thomas, Secretary to the Board, by 4:30 P.M. on Friday, June 28. Chairman Jones stated that the Board would take all written comments into consideration before Monday's meeting. Chairman Jones stated that if anyone would like to address the Board at Monday's meeting, they must submit their request in writing and address it to Ms. Thomas.

Administrator Parenti stated that Staff is present to announce a settlement proposal with Emerald Casino for the Board's consideration. Administrator Parenti stated that Staff contemplates that any settlement would not be final unless it is part of a reorganization plan that Emerald could submit for approval to a bankruptcy court, if Emerald remains in bankruptcy court. Administrator Parenti stated that although he has been negotiating with Emerald, as authorized by the Board, the Board elected to go to trial unless, and until, the Board achieved a settlement that protected the integrity of Illinois gaming and served the financial interest of the State of Illinois. Administrator Parenti stated that if the Administrative Hearing to revoke Emerald's license continued, a verdict in the Board's favor would only permit the same open, competitive process that is preserved in the proposed settlement, with two significant disadvantages: (1) the State would only receive a \$50,000 application fee from the new 10th licensee instead of a voluntary contribution by Emerald of what is expected to be over \$500 million dollars under the terms of the proposed settlement and (2) an appeal of a favorable verdict for the Board could cost the State approximately one billion dollars in total revenue due to the length of time that the appeal would take and the amount of time needed to construct a new gambling facility. Administrator Parenti stated that the terms of the proposed settlement entails no profit to any of Emerald's shareholders. Administrator Parenti stated that the proposed settlement would not permit those accused of wrongdoing, or anyone initially involved with Emerald, to profit. Administrator Parenti stated that the proposed settlement simply returned all of the initial investments in Emerald to the shareholders. Administrator Parenti stated that Emerald made a number of different proposals during the settlement process. Administrator Parenti stated that the Board realized that no matter how much money Emerald offered to settle the case, any profit would award the alleged wrongdoers and the other Emerald shareholders, which is why Staff decided not to allow the shareholders to profit. Administrator Parenti stated that in addition to listening to the amount of money Emerald was offering to settle the case, the Board and staff evaluated what would be an acceptable amount for Emerald's shareholders to receive. Administrator Parenti stated that when Staff decided not to allow any Emerald shareholders to profit, it did so to protect the integrity of the gaming process, which can only be preserved with an open, competitive process. Administrator Parenti stated that all proposed locations and all suitors would be considered under the proposed settlement. Administrator Parenti stated that in addition to the no-profit aspect of the proposed settlement, Mr. Shapiro would explain how the proposed settlement treats Emerald's existing liabilities. Administrator Parenti stated that the new 10th license holder would assume some of the liabilities of "Old Emerald," which is customary in any corporate merger and sale of a corporation.

Administrator Parenti stated that Mr. Shapiro and himself worked hard to reduce the assumption of liability by the new 10th license holder because as the liability is reduced, the contribution to the State increases. Administrator Parenti stated that Staff has pursued an open offering process to be conducted by Emerald. Administrator Parenti stated that the open, competitive process would allow the Board to objectively evaluate a number of qualified applicants, considering all entities and all locations, to determine if MGM's last reported offer to purchase Emerald for \$699 million was the "high-water mark."

Administrator Parenti stated that he was proud to have participated in the proposed settlement, all the while protecting the integrity of the gaming process, potentially establishing the most valuable casino license in America to date, and potentially saving Illinois taxpayers over one billion dollars. Administrator Parenti stated that Mr. Shapiro, who has led the Board's legal team in the disciplinary proceedings, has ably participated with Administrator Parenti in the most recent and intense negotiations with Emerald, which the Board authorized. Administrator Parenti stated that Mr. Shapiro and himself worked (1) to reduce the assumption of Emerald's corporate liabilities, (2) to increase the State's share, and (3) to achieve the proposed settlement as an alternative to trial, where even a successful verdict for the Board would result in severe economic harm to the State of Illinois. Administrator Parenti stated that Mr. Shapiro has been of invaluable assistance to him and the Board during the settlement negotiations. Administrator Parenti stated that Mr. Shapiro developed the open, competitive process, which is a key component to the proposed settlement.

Administrator Parenti thanked various members of the Staff.

Mr. Shapiro stated that he is before the Board as a Special Assistant Attorney General, appointed by the Attorney General's Office to represent the interest of the Illinois Gaming Board in its capacity as a party to the currently pending Administrative Hearing involving Emerald. Mr. Shapiro stated that the Administrative Hearing was initiated in March of 2001 when the Illinois Gaming Board approved a disciplinary complaint charging certain alleged misconduct by Emerald Casino. Mr. Shapiro stated that he has served as Lead Trial Counsel in the Emerald disciplinary matter. Mr. Shapiro stated Administrator Parenti and himself, as Lead Trial Counsel, have explored, discussed and negotiated with representatives of Emerald Casino to determine if instead of proceeding with the Administrative Hearing, a resolution to the dispute, short of litigating it over the next several years, could be met. Mr. Shapiro stated that he is pleased to say that the negotiations have paid off. Mr. Shapiro stated that he has an offer term sheet that Staff has received from Emerald Casino that meets the concerns of the Board and resolves the Emerald matter in a way that is acceptable. Mr. Shapiro presented the offer term sheet to the Board for the Board's consideration.

Mr. Shapiro thanked Administrator Parenti, various Gaming Board legal staff members, his partners and colleagues from his law firm, and representatives from the Attorney General's office for their dedication and hard work on the proposed settlement. Mr. Shapiro also

thanked the Board members for their guidance as to the general principals Mr. Shapiro had to follow in the course of any negotiations.

At 12:07 P.M. pursuant to Section 2 (c), paragraphs (4) and (11) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, Member Clark moved that **the Board retire to Closed Session to discuss the following subject matters:**

- 1. Administrative Hearings;**
- 2. Litigation involving Emerald Casino, Inc.; and**
- 3. Pending litigation and matters involving probable litigation**

Member Barry seconded the motion. The Board approved the motion unanimously by voice vote.

At 1:15 P.M. Member Higginbottom made a motion to reconvene into Open Session. Member Barry second the motion. The Board approved the motion unanimously by voice vote.

The Board adjourned at 1:15 P.M.

Respectfully submitted,
Monica Thomas

Secretary to the Board